## software to be comprehensive Study: Purchasers want SCM

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ment such solutions, many are unable to technole, y tools and would like to impledle all their needs, a recent survey from knowledgeable about available supply-chain find an across-the-board application to han-American Management Systems Inc. found. Although purchasing managers are

sic purchasing and contracting duties, said About 40% of those polled a couple of 'urchasing Management's conference said they were forced to use more than one elecronic-procurement solution to perform baweeks ago at the National Association of AMS, a Fairfax, Va.-based consulting firm.

costs, industry observers indicated. That, in ficiencies in form duplication, multiple turn, can increase costs and dampen antici-Taking a piecemeal approach creates inefdatabase-management efforts, and higher IT pated savings from those tools.

han, an analyst at the Aberdeen Group's eprocesses, making it difficult for procureand control expenditures," said Tim Minaon stovepipes of automation to support purchasing and contract-management ment professionals to effectively manage "The AMS survey illustrates that a large majority of organizations continue to rely commerce research group.

Purchasing managers said there were several areas, such as electronic cataloging and contracting tools, that were of particular concern to them. edged the benefit of electronic catalogs,

Similarly, 86% of managers said they were engine for multiple electronic catalog comparison pricing, but 75% of them do two-thirds of those polled noted that they do not have such functionality in place. aware of and wanted a single-entry search not have this capability, the survey found.

respondents said they could not easily place On the contracting side, one-third of the orders against a master contract, even Nearly half of those polled noted that they did not have the ability to select contract though 94% of them want that capability sources, although 74% of them wanted it.

T for buyers To offset challenges they meet when imis elusive. all-in-one lementing software officials said they olution vendors. Purhasers would like soools, procurement y-chain-integration nave a number of reuirements for sup-

lementation support, end-user training, consider offering services such as post-imystem customization, change management, ution providers to

state-of-the-art software combined with ng managers want complete solutionscurement and contracting models simply said Beth Palmer, senior principal of AMS' Procurement Solutions Group. "Purchashe survey has now quantified-most proaren't robust enough to fully support the e-"We at AMS have long suspected what rocurement needs of large organizations irst-class implementation and support." For example, while buyers acknowl- :

and business-process re-engineering.

## Manufacturers move to optimize supply chain

modeling techniques to streamline their operations Manufacturers are using advanced planning and and optimize their supply chain.

gamut of a company's operations and relationships, Golden, supply-chain management practice leader position all company resources to most effectively from suppliers through customers, in an effort to "Supply-chain optimization covers the whole neer and fulfill customer demand," says Spencer with Grant Thornton's Philadelphia office.

"The goal is to globally plan across the supply chain, from the company's suppliers, through its own manufacturing and distribution operations, and on to the customers," he says.

facturer or distributor must analyze all its processes. To create this globally optimal plan, a manu-

"The key is integration," says Golden. The company collaborates with its suppliers and customers collaborates internally, encouraging departments right time and at the lowest possible cost. It also to produce goods for the final consumer at the and functions to work together rather than independently.

The company and its trading partners run as one large supply chain, thus improving customer. satisfaction, lowering costs, and generating more

"Supply-chain optimization replaces inventory with This integration is powered by information. more timely information, you can dramatically information," says Golden. "If you have better, reduce inventory."

Instead of stockpiling raw materials and workin-process inventory because of uncertainty, the

company implements a sophisticated planning inforand accurately with other departments and suppliers. Knowledge is shared, uncertainty reduced, and process needs, as well as share information quickly mation system. It can then better define its own

optimization replaces

"Supply-chain

inventory cut.

turers and distributors to carry products tailored for Supply-chain optimization also enables a comcustomization, where customers require manufacpany to cope with today's increasing level of mass their individual needs.

you can dramatically

reduce inventory."

timely information,

information. If you

inventory with

have better, more

pany has many products, each of which is selling in It is much more difficult to plan when a comrelatively small amounts.

"Using supply-chain optimization techniques, a company can profitably run a business in that highmix, low-volume world," Golden says.

## No secret

manufacturers lead their midsized brethren in most American Manufacturers found that, though larger aspects of supply-chain optimization, the smaller Growing manufacturers are surprisingly aware of the importance of optimizing their supply chain The most recent Grant Thornton Survey of and are embracing the concept, says Golden. companies are not far behind.

sales between \$500 million and \$1 billion, used this production and distribution. Eighty-eight percent For example, the most common optimization of the large manufacturers, defined as those with effort was advanced planning and scheduling for

## Haulers Are Laking Fancy Software to the I Allied Waste, Following Waste Management, to Shed SAP's Costly R/3

Allied Waste Industries Inc., as soon as it completes its proposed \$7.3 billion acquiplans to pull the plug on a brand-new \$130 million computer system that uses the Staff Reporter of THE WALL STREET JOURNAL sition of Browning-Ferris Industries Inc., complex software known as SAP R/3.

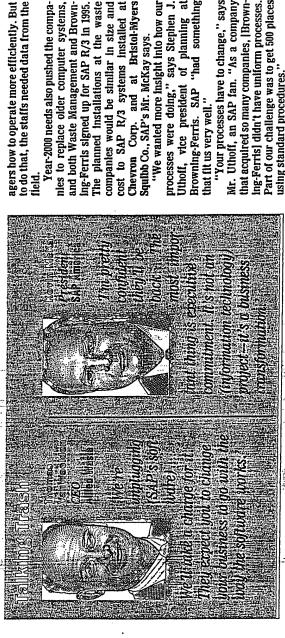
The planned move, previously undisclosed, follows a similar cancellation of a major SAP R/3 installation, one that would nave cost about \$250 million, at Waste Management Inc.

nanagement structure. It is also among he most public rebukes received by SAP AG, the German concern that makes what ior and help manage a company's every The promised dumping of SAP software at the two biggest trash-hauling companies reflects a move by the waste ndustry to a more simple, decentralized is widely regarded as elegant though exremely complex software that can moni

Allied Waste finds SAIP too expensive ing-Ferris, Houston. "We'll take a charge lor it," Mr. VanWeelden says, adding of SAP: "They expect you to change your business to go with the way the software and too complicated to operate. "We're un-Weelden, chairman, president and chief executive officer of the Scottsdale, Ariz., company of the system installed by Brownplugging it," says Thomas H.

Waste Management, also based in Houston, pulled the plug on its SAP installarger figure, however, doesn't represent ial SAP ambitions. A second phase of computer revamping using SAP R/3 would have cost an additional estimated \$150 million, according to Michael T. Patlation when it had spent just \$45 million of the estimated \$250 million. Even that the total cost of Waste Management's Ini tems at Waste Management. And Browning-Ferris was also planning a costly ton, vice president of information sys-

ifter its \$19 billion merger last year with "Blessedly, neither company got a chance to spend that money," Mr. Patton says. Waste Management abandoned SAP phase two.



Chevron Corp. and at Bristol-Myers "We wanted more insight into how our

Squibb Co., SAP's Mr. McKay says.

ing-Ferris signed up for SAP R/3 in 1995. The planned installations at the waste

Year-2000 needs also pushed the compa-

processes were doing," says Stephen J. Jthoff, vice president of planning at Browning-Ferris. SAP "had something "Your processes have to change," says that acquired so many companies, | Brownng-Ferris] didn't have uniform processes. Part of our challenge was to get 500 places The early returns weren't favorable. In

> Waste executives took control of the com-JSA Waste Services Inc., in which USA pany, though the Waste Management name was retained.

agement: "I'm pretty confident they'll be back." SAP R/3 is installed at more than 5,000 U.S. companies, he says, and about 20,000 world-wide. Mr. McKay calls cancel-Kevin McKay, president of SAP America, says of Allied Waste and Waste Manation "extremely rare."

the basic parts of a big company: sales, ventory and all sorts of accounting func-SAP R/3 is so-called enterprise software that can connect and automate all payments coming in and going out, in-

Mr. McKay doesn't dispute that SAP businesses to use the software, but he says R/3 customers often have to change their the cost and the change is worth it because the software allow companies to operate more efficiently.

"The most important thing is executive commitment," he says. "It's not an linformation technology] project-it's a business transformation."

SAP AG received just \$20 million from Waste Management and between \$15 mil-

McKay says. And in the phase-two installalons, Mr. McKay says, SAP would have licenses to use R/3 software, Mr. gotten a maximum of \$3 million to \$5 mil-

'change management" consultants who nelp companies standardize operations SAP did some of the consulting for though it won't disclose how much. Waste Management used consultants other than The remainder of the cost for the companies included consultants to implement the software, new computer hardware and Browning-Ferris, the waste company says, and monitoring methods to adapt to R/3.

such complex and costly software? Waste zed management structures, hoping Why would the trash business need Management and Browning-Ferris, long the Nos. 1 and 2 in the industry, built up small haulers. When industry profits were hurt by a glut of dump space and those corporate staffs could tell field manbig corporate staffs during the 1970s and 1980s as they were acquiring hundreds of other problems in the early 1990s, both companies moved toward more central

lion and \$20 million from Browning-Ferris lon in license fees from each company.

says it incurred \$11 million in higher costs

change Commission,

a May 14 filling with the Securities and Ex-

using standard procedures.'

operating with the SAP system during the

six months ended March 31, "but is not yet realizing the expected benefits." The company had expected purchasing, accounting

**Browning-Ferris** 

Mr. Uthoff, an SAP fan. "As a company

hat fit us very well

that. But you have to look at this as a "It's expensive. There is no denying long-term investment. The payback is Browning-Ferris said it expected "modest benefits" from SAP. Mr. Uthoff says, For the six months ending Sept. 30 and administrative efficiencies. substantial."

and smaller companies, were growing in says David Hunts, Allled's director of man-Allied Waste and USA Waste, newer recent years by acquisition and keeping proach: let local managers run their own show and worry about their day-to-day numbers. "If corporate is worried about that as well, that's kind of redundant," their corporate staffs tiny. Their ap-

Both Allied and Waste Management, after its merger with USA Waste, use less-expensive—and, the companies cheerfully agement-information systems. admit. less-nowerful—software